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RESTRICTEDCHINA - INLAND WATERWAY TRANSPORTATIONPOLICY

1. It is the policy of the Chinese Government to develop inland waterways to complement merchant shipping and rail facilities. The government and private shipping companies have acquired river tonnage as rapidly as possible in replacement of Chinese-flag tonnage suffered during the war. The government plays the major role in determining inland shipping policies.
2. Inland waterway shipping policies are determined and administered as integral parts of merchant shipping affairs because of the long distances open to ocean shipping on the Yangtze, Pearl and West rivers. While theoretically centralized administration of all transportation is effected through the Ministry of Communications, it appears that shipping policies are not closely integrated with policies for other forms of transportation.
3. Strategic and military considerations had little bearing on inland waterway development until the navigable rivers of China began to play an important part in Chinese military operations. Because the movement of goods on the inland waterways of China is vital to the survival of Free China, maintenance of this traffic has now acquired basic strategic importance.
4. Since its beginning, the strongly nationalistic Chinese Republic has desired to develop waterway traffic. The state has aided Chinese water transportation companies in many ways. Among them are: government ownership and operation of some facilities, reservation of inland waterways to nationals or national-controlled companies, and direct participation in certain Chinese shipping companies. Ship construction in government and private yards of both conventional types and specially-designed craft is fostered to the limit of resources in material and technical ability. The ten-year plan for economic reconstruction, formulated by Sun Yat-sen and reiterated by Chiang Kai-shek, includes a comprehensive merchant shipping program calling for acquisition of considerable tonnage, as well as improvement of inland waterway facilities. Specific features of this plan are:

New tonnage in inland waters	600,000 tons
Rivers navigable to junks	200,000 kms
New canals	1,000 kms
New inland water facilities	700 ports
Lake building	18,600 kms
Rivers navigable to steamers (Middle and upper Yangtze systems and other rivers)	18,000 kms

RESTRICTED

RESTRICTED**CHINA - INLAND WATERWAY TRANSPORTATION (A-4 CONT'D)**

subsidiaries are currently granted to private shipping interests carrying government cargo or personnel, at present chiefly military.

5. Vested interests play an important part in the determination of Chinese policy on inland waterway transport. In December 1946 the China Merchants Steam Navigation Company, for example, was reported to own 60 vessels comprising 203,000 tons, or 40% of the inland and coastal fleets. While historically, water transportation has for centuries been vital to the Chinese economy, the attitudes manifested toward such transport have, in many instances, retarded progress. The influence of geography upon inland shipping has been very great because the great river systems afford easy access to the vast interior which is presently poorly supplied with both railways and roads. For example, the Yangtze valley, which is navigable to powered vessels for 1500 miles, has a population of 180,000,000; the Yangtze connects Chungking with the eastern provinces. Economic conditions have always influenced inland water and fluvial policies.
- Water-borne trade was the major form available to the Chinese people for centuries. Even since the organization of railroad and highway transport, the limited transportation requirements of the essentially agrarian economy have not been fully satisfied. Political conditions are important in the formulation of policy on water communications, because water is the only means of unbroken contact between the coast and many of the central government's interior subdivisions.

B. ORGANIZATION

1. Inland waterway transportation matters are under the jurisdiction of the Ministry of Communications.
2. The Ministry is divided into two major departments, one of which, the Navigation and Civil Aviation Department, is responsible for all inland waterway transportation and related matters. The Navigation and Civil Aviation Department of the Ministry of Communications is charged with the following responsibilities pertaining to inland waterways:
 - a planning, construction and equipment of all facilities;
 - b control and operation of facilities, including inland ports;
 - c supervision of inland shipping, both public and privately owned;
 - d settlement of inland waterway affairs;
 - e shipping and operating personnel;
3. There is no formal relation between the subdivisions of the Ministry of Communications handling inland waterways and aviation. Some over-all coordination, however, may evolve from consultative action among the officials in charge of the

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CHINA - INLAND WATERWAY TRANSPORTATION (B-3 CONT'D)

various forms of transportation. The highest level of coordination for inland waterway policy and planning is the Executive Yuan. It does not appear that the Chinese transportation systems overlap or compete with each other, primarily because they are collectively incapable of satisfying the country's transportation requirements.

4. Fluvial transportation early received the attention of the Chinese Government. For example, the Yangtze River regulations of 1898 and 1902 revised regulations that were adopted first in 1862. In 1930, the government took responsibility for shipping away from the Maritime Customs and placed it under the Ministry of Communications, thus establishing more direct government control over inland shipping.
5. The Ministry of Communications is undoubtedly endeavoring to operate the inland waterway routes in the public interest. However, many of the difficulties that hamper merchant shipping (see C-5, Merchant Shipping report) apply also to river transport. Furthermore, constant commandeering of bottoms by the Nationalist government causes troublesome backlogs in river ports above Hankow of passengers and freight destined for Shanghai. Still another handicap is the practice by Chinese shipping companies of organizing their operations to suit their own convenience, regardless of the national interest. Inefficiencies are also frequently encouraged by the government's policy against foreign commercial domination.

C. ADMINISTRATION

1. Plans for new inland water routes and facilities originate in the appropriate departments of the Ministry and local or regional administrations concerned with this form of transportation. They are discussed at various levels, and if approved by the Ministry, are submitted to the Executive Yuan for final action. The final decisions of the Yuan are subject to frequently intense pressure from political and private interests.
2. Inland waterway rates are proposed by the shipping companies which must submit rate schedules to the Ministry and subsequently to the Executive Yuan. The Executive Yuan endeavors in general to make rates lag behind prices. In this respect, the government appears to follow the principle of subsidization in lieu of increasing rates to cover costs of transportation.
3. The Chinese Merchant Shipping study (see C-3) outlines conditions affecting competition in the field of transportation, and indicates why competition in fluvial and other inland waterway systems in China is largely an academic question. Foreign competition is eliminated by the Chinese policy of forbidding the inland waters to foreign shipping, although Chinese services are inadequate.
4. Detailed regulations are in effect governing the inspection of equipment, choice of personnel, and investigation of accidents on the waterways. While the Ministry of Communications is the administrative authority for such rules, the Executive Yuan

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CHINA - INLAND WATERWAY TRANSPORTATION (C-4 CONT'D)

passes on all major regulations. Statutory regulations, such as the Code of Maritime Law, are voted by the Legislative Yuan. This Code governs safety, personnel, navigational accidents, bridge officer requirements, etc.

5. Although the State has fostered the training of transportation technicians, it is not known to what extent such training has specialized in inland shipping. All engineers and pilots must be licensed by the government, based on written and competency tests which are apparently quite severe.
6. Since the routes over which most Chinese inland water traffic moves are wholly within Chinese territory, the question of international agreements concerning such traffic is of little importance.
7. Detailed reports on tonnage, tariffs, revenues, personnel inspections and accidents are required by the Department of Navigation and Civil Aviation of the Ministry of Communications.